



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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NEWS RELEASE

FOR RELEASE February 26, 2004

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Auditor of State David A. Vaudt today released an audit report on Jones County, Iowa.

The County had local tax revenue of \$19,126,896 for the year ended June 30, 2003, which included \$1,346,565 in tax credits from the state. The County forwarded \$14,578,375 of the local tax revenue to the townships, school districts, cities and other taxing bodies in the County.

The County retained \$4,548,521 of the local tax revenue to finance County operations, a five percent increase from the prior year. Other revenues included \$5,419,076 from other governments, including indirect federal funding, \$603,405 in local option sales tax and \$145,047 in interest on investments.

Expenditures for County operations totaled \$11,057,645, a twelve percent increase from the prior year. Expenditures included \$4,202,859 for roads and transportation, \$2,157,138 for mental health and \$1,587,393 for public safety and legal services. The significant increase in expenditures is due primarily to increases in road maintenance, roadway construction and secondary roads equipment purchases.

A copy of the audit report is available for review in the Office of Auditor of State and the County Auditor's office.

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JONES COUNTY
INDEPENDENT AUDITOR'S REPORTS
FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2003

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Jones County

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expire</u>
(Before January 2003)		
Joe Cruise	Board of Supervisors	Jan 2003
Dan E. Lambertsen	Board of Supervisors	Jan 2003
Leo M. Cook	Board of Supervisors	Jan 2005
Keith C. Dirks	Board of Supervisors	Jan 2005
Merlin D. Moore	Board of Supervisors	Jan 2005
Janine Sulzner	County Auditor	Jan 2005
Janise M. Miller	County Treasurer	Jan 2003
Marie Krutzfield	County Recorder	Jan 2003
Mark J. Denniston	County Sheriff	Jan 2005
Connie Sue Ricklefs	County Attorney	Jan 2003
Arnie Andreesen	County Assessor	Jan 2004
(After January 2003)		
Leo M. Cook	Board of Supervisors	Jan 2005
Keith C. Dirks	Board of Supervisors	Jan 2005
Merlin D. Moore	Board of Supervisors	Jan 2005
Joe Cruise	Board of Supervisors	Jan 2007
Andy McKean	Board of Supervisors	Jan 2007
Janine Sulzner	County Auditor	Jan 2005
Janise M. Miller	County Treasurer	Jan 2007
Marie Krutzfield	County Recorder	Jan 2007
Mark J. Denniston	County Sheriff	Jan 2005
Connie Sue Ricklefs	County Attorney	Jan 2007
Arnie Andreesen	County Assessor	Jan 2004

Jones County



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Independent Auditor's Report

To the Officials of Jones County:

We have audited the accompanying general purpose financial statements, listed as exhibits in the table of contents of this report, of Jones County, Iowa, as of and for the year ended June 30, 2003. These general purpose financial statements are the responsibility of Jones County's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of Jones County at June 30, 2003, and the results of its operations and the cash flows of its proprietary fund type for the year then ended in conformity with U.S. generally accepted accounting principles. Also, the Comparison of Receipts, Disbursements and Changes in Balances - Actual to Budget (Cash Basis) presents fairly, in all material respects, the cash transactions and the legally adopted budget of governmental fund types and expendable trust fund of Jones County for the year ended June 30, 2003.

As discussed in Note 12 to the financial statements, Jones County intends to implement Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments; Statement No. 37, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus; and Statement No. 38, Certain Financial Statement Note Disclosures, for the year ending June 30, 2004. The effects of these statements are expected to significantly impact the presentation of the County's financial statements and related notes in the year of implementation. The revised requirements include the use of the economic resources measurement focus and full accrual accounting, as well as an analytical overview of the County's financial activities in the Management's Discussion and Analysis introduction to the financial statements.

In accordance with Government Auditing Standards, we have also issued our reports dated December 5, 2003 on our consideration of Jones County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. Those reports are an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the general purpose financial statements taken as a whole. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the general purpose financial statements for the three years ended June 30, 2002 (none of which are presented herein) and expressed unqualified opinions on those financial statements. The supplemental information included in Schedules 1 through 8, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, is presented for purposes of additional analysis and is not a required part of the general purpose financial statements. Such information has been subjected to the auditing procedures applied in our audit of the aforementioned financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general purpose financial statements taken as a whole.

DAVID A. VAUDT, CPA
Auditor of State

WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

December 5, 2003

Financial Information

Jones County
Combined Balance Sheet
All Fund Types and Account Groups
June 30, 2003

	<u>Governmental Fund Types</u>	
	General	Special Revenue
Assets and Other Debits		
Cash and pooled investments:		
County Treasurer	\$ 1,189,684	5,624,631
Other County officials	-	-
Community Care Incorporated	-	5,892
Receivables:		
Property tax:		
Delinquent	7,194	4,420
Succeeding year	2,602,000	1,735,000
Interest and penalty on property tax	16,463	-
Accounts	1,248	26,558
Accrued interest	2,478	-
Special assessments	-	-
E911 loan agreement	152,119	-
Due from other funds (note 7)	17,758	3,007
Due from other governments	59,378	430,890
Prepaid expenditures/expenses (note 5)	-	67,824
Inventories	-	293,888
Property and equipment (note 3)	-	-
Amount to be provided for retirement of general long-term debt	-	-
Total assets and other debits	\$ 4,048,322	8,192,110

Proprietary Fund Type	Fiduciary Fund Type	Account Groups		Total (Memorandum Only)
		General Fixed Assets	General Long-Term Debt	
Internal Service	Trust and Agency			
-	903,465	-	-	7,717,780
355,981	2,446	-	-	358,427
-	-	-	-	5,892
-	35,066	-	-	46,680
-	13,511,000	-	-	17,848,000
-	-	-	-	16,463
1,199	25,904	-	-	54,909
-	-	-	-	2,478
-	34,052	-	-	34,052
-	-	-	-	152,119
-	-	-	-	20,765
-	2,914	-	-	493,182
17,885	-	-	-	85,709
-	-	-	-	293,888
-	-	9,839,801	-	9,839,801
-	-	-	131,047	131,047
375,065	14,514,847	9,839,801	131,047	37,101,192

Jones County
Combined Balance Sheet
All Fund Types and Account Groups
June 30, 2003

	<u>Governmental Fund Types</u>	
	General	Special Revenue
Liabilities, Fund Equity and Other Credits		
Liabilities:		
Accounts payable	\$ 56,322	320,849
Salaries and benefits payable	84,512	69,797
Due to other funds (note 7)	2,843	2,014
Due to other governments (note 8)	12,236	112,977
Trusts payable	-	-
Deferred revenue:		
Succeeding year property tax	2,602,000	1,735,000
Other	28,533	65,569
Capital lease purchase agreement (note 6)	-	-
Compensated absences	22,422	22,938
Total liabilities	<u>2,808,868</u>	<u>2,329,144</u>
Fund equity and other credits:		
Investment in general fixed assets	-	-
Unreserved retained earnings	-	-
Fund balances:		
Reserved for:		
Prepaid expenditures	-	67,824
Inventories	-	293,888
E911 loan agreement	152,119	-
Unreserved:		
Designated for roads and bridges	-	1,138,325
Designated for capital improvements	376,095	5,892
Undesignated	711,240	4,357,037
Total fund equity and other credits	<u>1,239,454</u>	<u>5,862,966</u>
Total liabilities, fund equity and other credits	<u>\$ 4,048,322</u>	<u>8,192,110</u>

See notes to financial statements.

Proprietary Fund Type	Fiduciary Fund Type	Account Groups		Total (Memorandum Only)
		General	General	
Internal Service	Trust and Agency	Fixed Assets	Long-Term Debt	
101,605	49,747	-	-	528,523
-	6,622	-	-	160,931
-	15,908	-	-	20,765
-	14,437,186	-	-	14,562,399
-	336	-	-	336
-	-	-	-	4,337,000
-	-	-	-	94,102
-	-	-	4,970	4,970
-	1,702	-	126,077	173,139
101,605	14,511,501	-	131,047	19,882,165
-	-	9,839,801	-	9,839,801
273,460	-	-	-	273,460
-	-	-	-	67,824
-	-	-	-	293,888
-	-	-	-	152,119
-	-	-	-	1,138,325
-	-	-	-	381,987
-	3,346	-	-	5,071,623
273,460	3,346	9,839,801	-	17,219,027
375,065	14,514,847	9,839,801	131,047	37,101,192

Exhibit B

Jones County

Combined Statement of Revenues, Expenditures and
Changes in Fund Balances - All Governmental Fund Types
and Expendable Trust Fund

Year ended June 30, 2003

	Governmental Fund Types		Fiduciary Fund Type	Total (Memorandum Only)
	General	Special Revenue	Expendable Trust	
Revenues:				
Property and other County tax	\$2,449,244	2,387,644	-	4,836,888
Interest and penalty on property tax	41,833	-	-	41,833
Intergovernmental	871,866	4,862,248	-	5,734,114
Licenses and permits	27,476	12,723	-	40,199
Charges for service	469,636	18,675	-	488,311
Use of money and property	225,216	8,559	-	233,775
Miscellaneous	45,557	170,109	-	215,666
Total revenues	4,130,828	7,459,958	-	11,590,786
Expenditures:				
Operating:				
Public safety and legal services	1,583,169	4,224	-	1,587,393
Physical health and social services	477,612	177,475	-	655,087
Mental health	-	2,157,138	-	2,157,138
County environment and education	385,902	138,108	-	524,010
Roads and transportation	232,205	3,970,654	-	4,202,859
Governmental services to residents	338,319	738	-	339,057
Administration	958,153	-	-	958,153
Non-program	224,953	-	-	224,953
Capital projects	-	408,995	-	408,995
Total expenditures	4,200,313	6,857,332	-	11,057,645
Excess (deficiency) of revenues over (under) expenditures	(69,485)	602,626	-	533,141
Other financing sources (uses):				
Sale of general fixed assets	5,098	1,107	-	6,205
Operating transfers in	-	997,500	-	997,500
Operating transfers out	(35,000)	(962,500)	-	(997,500)
Total other financing sources (uses)	(29,902)	36,107	-	6,205
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(99,387)	638,733	-	539,346
Fund balances beginning of year	1,186,722	5,204,473	3,346	6,394,541
Increase (decrease) in reserve for:				
Prepaid expenditures	-	(3,230)	-	(3,230)
Inventories	-	22,990	-	22,990
E911 loan agreement	152,119	-	-	152,119
Fund balances end of year	\$1,239,454	5,862,966	3,346	7,105,766

See notes to financial statements.

Jones County

Comparison of Receipts, Disbursements and Changes in Balances –
Actual to Budget (Cash Basis) All Governmental Fund Types
and Expendable Trust Fund

Year ended June 30, 2003

	Actual	Amended Budget	Variance - Favorable (Unfavorable)	Actual as % of Amended Budget
Receipts:				
Property and other County tax	\$ 4,660,391	4,806,815	(146,424)	97%
Interest and penalty on property tax	41,786	42,350	(564)	99%
Intergovernmental	5,791,255	5,711,175	80,080	101%
Licenses and permits	39,963	36,697	3,266	109%
Charges for service	495,427	439,535	55,892	113%
Use of money and property	244,141	215,862	28,279	113%
Miscellaneous	391,170	246,483	144,687	159%
Total receipts	<u>11,664,133</u>	<u>11,498,917</u>	<u>165,216</u>	<u>101%</u>
Disbursements:				
Public safety and legal services	1,580,049	1,600,766	20,717	99%
Physical health and social services	606,245	719,466	113,221	84%
Mental health	2,235,461	2,421,666	186,205	92%
County environment and education	542,281	556,555	14,274	97%
Roads and transportation	4,215,447	4,343,283	127,836	97%
Governmental services to residents	336,493	345,539	9,046	97%
Administration	956,004	975,190	19,186	98%
Non-program	230,509	232,271	1,762	99%
Capital projects	372,115	1,108,000	735,885	34%
Total disbursements	<u>11,074,604</u>	<u>12,302,736</u>	<u>1,228,132</u>	<u>90%</u>
Excess (deficiency) of receipts over (under) disbursements	589,529	(803,819)		
Other financing sources, net	<u>6,205</u>	<u>4,979</u>		
Excess (deficiency) of receipts and other financing sources over (under) expenditures and other financing uses	595,734	(798,840)		
Balance beginning of year	<u>6,221,927</u>	<u>6,220,312</u>		
Balance end of year	<u>\$ 6,817,661</u>	<u>5,421,472</u>		

See notes to financial statements.

Exhibit D

Jones County

Statement of Revenue, Expenses and Changes in Retained Earnings

Proprietary Fund Type

Year ended June 30, 2003

		<u>Internal Service - Employee Group Health</u>
Operating revenues:		
Contributions from other funds		\$ 910,792
Contributions from others		14,097
Refunds and reimbursements		14,557
Total operating revenues		<u>939,446</u>
Operating expenses:		
Medical claims paid	\$ 616,034	
Insurance premiums	183,711	
Administrative fees	22,177	
Wellness program	<u>2,227</u>	<u>824,149</u>
Operating income		115,297
Non-operating revenues:		
Interest on investments		<u>3,918</u>
Net income		119,215
Retained earnings beginning of year		<u>154,245</u>
Retained earnings end of year		<u><u>\$ 273,460</u></u>

See notes to financial statements.

Jones County
Statement of Cash Flows
Proprietary Fund Type
Year ended June 30, 2003

	<u>Internal Service - Employee Group Health</u>
Cash flows from operating activities:	
Cash received from operating fund contributions	\$ 910,792
Cash received from others	135,283
Cash payments to suppliers for services	<u>(743,700)</u>
Net cash provided by operating activities	302,375
Cash flows from investing activities:	
Interest on investments	<u>3,918</u>
Net increase in cash and cash equivalents	306,293
Cash and cash equivalents at beginning of year	<u>49,688</u>
Cash and cash equivalents at end of year	<u><u>\$ 355,981</u></u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 115,297
Adjustments to reconcile operating income to net cash provided by operating activities:	
Decrease in accounts receivable	106,629
Increase in accounts payable	81,181
(Increase) in prepaid expense	<u>(732)</u>
Net cash provided by operating activities	<u><u>\$ 302,375</u></u>

See notes to financial statements.

Jones County

Jones County
Notes to Financial Statements
June 30, 2003

(1) Summary of Significant Accounting Policies

Jones County is a political subdivision of the State of Iowa and operates under the Home Rule provisions of the Constitution of Iowa. The County operates under the Board of Supervisors form of government. Elections are on a partisan basis. Other elected officials operate independently with the Board of Supervisors. These officials are the Auditor, Treasurer, Recorder, Sheriff, and Attorney. The County provides numerous services to citizens, including law enforcement, health and social services, parks and cultural activities, planning and zoning, roadway construction and maintenance, and general administrative services.

A. Reporting Entity

For financial reporting purposes, Jones County has included all funds, organizations, account groups, agencies, boards, commissions and authorities. The County has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the County are such that exclusion would cause the County's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the County to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the County. The County has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations – The County participates in several jointly governed organizations that provide goods or services to the citizenry of the County but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The County Board of Supervisors are members of or appoint representatives to the following boards and commissions: Jones County Assessor's Conference Board, Jones County Emergency Management Commission, and Jones County Joint E911 Service Board. Financial transactions of these organizations are included in the County's financial statements only to the extent of the County's fiduciary relationship with the organization and, as such, are reported in the Agency Funds of the County.

The County also participates in the following additional jointly governed organizations established pursuant to Chapter 28E of the Code of Iowa: Jones County Solid Waste Management Commission, Multi-County Cooperative Child Support Agreement, East Central Iowa Employment and Training Consortium, Medical Emergency Response Group, Eastern Iowa Regional Housing Authority, Jones County Crime Commission, Jones County Economic Development Commission and Jones County Communications Commission.

B. Fund Accounting

The accounts of the County are organized on the basis of funds and account groups, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts, which comprise its assets, liabilities, fund balances, revenues and expenditures or expenses. The various funds and account groups and their designated purposes are as follows:

Governmental Funds

General Fund – The General Fund is the general operating fund of the County. All general tax revenues and other revenues that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, the fixed charges and the capital improvement costs that are not paid from other funds.

Special Revenue Funds – The Special Revenue Funds are used to account for revenues derived from specific sources which are usually required by law or regulation to be accounted for in separate funds.

Proprietary Fund

Internal Service Fund – The Internal Service Fund is utilized to account for the financing of goods or services purchased by one department of the County and provided to other departments or agencies on a cost-reimbursement basis.

Fiduciary Funds

Trust Funds – The Trust Funds are used to account for assets held by the County in a trustee capacity. These include an Expendable Trust Fund which is accounted for in essentially the same manner as Governmental Funds.

Agency Funds – The Agency Funds are used to account for assets held by the County as an agent for individuals, private organizations, certain jointly governed organizations, other governmental units and/or other funds. Agency Funds are custodial in nature, assets equal liabilities, and do not involve measurement of results of operations.

Account Groups

General Fixed Assets – This account group is established to account for the general fixed assets of the County.

General Long-Term Debt – This account group is established to account for long-term debt of the County. Long-term liabilities expected to be financed from Governmental Funds are accounted for in this account group, not in the Governmental Funds.

C. Measurement Focus

Governmental Funds and the Expendable Trust Fund are accounted for on a spending or “financial flow” measurement focus. This means only current assets and current liabilities are generally included on their balance sheets. Their reported fund balance is considered a measure of “available spendable resources.” Governmental Fund and Expendable Trust Fund operating statements present increases, revenues and other financing sources, and decreases, expenditures and other financing uses in net current assets. Accordingly, they are said to present a summary of sources and uses of “available spendable resources” during a period.

Proprietary Funds are accounted for on a cost of services or “capital maintenance” measurement focus. This means all assets and liabilities, whether current or non-current, associated with their activity are included on their balance sheets. Their reported fund equity, net total assets, is reported as retained earnings. Proprietary Fund operating statements present increases (revenue) and decreases (expenses) in net total assets.

In reporting the financial activity of its Proprietary Fund, the County applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

D. Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

All Governmental Funds and the Expendable Trust Fund are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when they become both measurable and available. Available means collectible within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Expenditures are recorded when the liability is incurred, except for unmatured interest on general long-term debt, which is recognized when due. Disbursements for the purchase of assets providing future benefits are recorded as expenditures at time of purchase.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the County.

The Proprietary Fund is accounted for using the accrual basis of accounting. Its revenues are recognized when earned and its expenses are recognized when incurred.

The assets and liabilities of the Agency Funds are accounted for using the modified accrual basis of accounting.

The County maintains its financial records on the cash basis. The financial statements of the County are prepared by making memorandum adjusting entries to the cash basis financial records.

E. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the combined balance sheet:

Cash and Pooled Investments and Cash Equivalents – The cash balances of most County funds are pooled and invested. Interest earned on investments is recorded in the General Fund, unless otherwise provided by law. Investments are stated at fair value except for the investment in the Iowa Public Agency Investment Trust, which is valued at amortized cost, and non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.

Property Tax Receivable – Property tax in Governmental Funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the County Board of Supervisors. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Supervisors to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the Board of Supervisors is required to certify its budget in March of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2001 assessed property valuations; is for the tax accrual period July 1, 2002 through June 30, 2003 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March, 2002.

Interest and Penalty on Property Tax Receivable – Interest and penalty on property tax receivable represents the amount of interest and penalty that was due and payable but has not been collected.

Special Assessments Receivable – Special assessments receivable represent the amounts due from individuals for work done which benefits their property. These assessments are payable by individuals in not less than ten nor more than twenty annual installments. Each annual installment with interest on the unpaid balance is due on September 30 and is subject to the same interest and penalties as other taxes. Special assessments receivable represent assessments which are due and payable but have not been collected.

Due from and Due to Other Funds – During the course of its operations, the County has numerous transactions between funds. To the extent certain transactions between funds had not been paid or received as of June 30, 2003, balances of interfund amounts receivable or payable have been recorded.

Due from Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories – Inventories are valued at cost using the first-in, first-out method. Inventories in the Special Revenue Funds consist of expendable supplies held for consumption. The cost is recorded as an expenditure at the time individual inventory items are purchased. Reported inventories are equally offset by a fund balance reserve, which indicates they are not available to liquidate current obligations.

General Fixed Assets – General fixed assets are recorded as expenditures in the Governmental Funds and are capitalized (recorded and accounted for) in the General Fixed Assets Account Group. Assets in this account group are recorded at historical cost. Assets acquired by gift are accounted for at fair market value at the date of the gift. The General Fixed Assets Account Group excludes public domain or "infrastructure" general fixed assets such as roads, bridges, curbs, gutters, streets, sidewalks and similar assets that are immovable and of value only to the government.

In accordance with standards set forth by the Governmental Accounting Standards Board, depreciation expense is not recorded on the balance sheet for general fixed assets. At the time an asset is removed from service, the cost is removed from the General Fixed Assets Account Group. Maintenance and repair are recorded as expenditures in the Governmental Funds as incurred and are not capitalized.

During the year ended June 30, 2003, no interest costs were capitalized since the County's policy is not to capitalize interest costs on assets constructed or acquired with tax-exempt debt paid for from annual debt service levies.

Due to Other Governments – Due to other governments represents taxes and other revenues collected by the County and payments for services which will be remitted to other governments.

Trusts Payable – Trusts payable represents amounts due to others which are held by various County officials in fiduciary capacities until the underlying legal matters are resolved.

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collectible within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds, the succeeding year property tax receivable, as well as delinquent property tax receivable and other receivables not collected within sixty days after year end.

Compensated Absences – County employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, death or retirement. For the Agency Funds, these accumulations are recorded as liabilities in the year earned. In the Governmental Funds, the cost of vacation and sick leave payments expected to be liquidated currently are recorded as liabilities of the Governmental Fund. A liability has been recorded in the General Long-Term Debt Account Group representing the County's commitment to fund non-current compensated absences. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2003.

Unreserved Retained Earnings – The unreserved retained earnings of the Employee Group Health Fund is designated for anticipated future catastrophic losses of the County.

F. Budgets and Budgetary Accounting

In accordance with the Code of Iowa, the County Board of Supervisors annually adopts a budget on the cash basis following required public notice and hearing for all funds except Internal Service and Agency Funds, and appropriates the amount deemed necessary for each of the different County offices and departments. The budget may be amended during the year utilizing similar statutorily prescribed procedures. Encumbrances are not recognized on the cash basis budget and appropriations lapse at year end.

Formal and legal budgetary control is based upon 10 major classes of expenditures known as functions, not by fund or fund type. These 10 functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, non-program, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds and the Expendable Trust Fund. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not at the fund or fund type level. Legal budgetary control is also based upon the appropriation to each office or department.

In addition, annual budgets are similarly adopted in accordance with the Code of Iowa by the appropriate governing body as indicated: for the County Extension Office by the County Agricultural Extension Council, for the County Assessor by the County Conference Board, for Emergency Management Services by the County Emergency Management Services Commission and for the E911 System by the Joint E911 Service Board.

Exhibit C is a comparison of cash basis receipts, disbursements and changes in balances with the cash basis budget, which is legally controlled by function, not fund type. Operations and ending fund balances on the cash and modified accrual basis have been reconciled as follows:

	Governmental Fund Types					
	General			Special Revenue		
	Cash Basis	Accrual Adjust-ments	Modified Accrual Basis	Cash Basis	Accrual Adjust-ments	Modified Accrual Basis
Revenues	\$ 4,166,744	(35,916)	4,130,828	7,497,389	(37,431)	7,459,958
Expenditures	4,197,406	2,907	4,200,313	6,877,198	(19,866)	6,857,332
Net	(30,662)	(38,823)	(69,485)	620,191	(17,565)	602,626
Other financing sources (uses)	(29,902)	-	(29,902)	36,107	-	36,107
Beginning fund balances	1,250,248	(63,526)	1,186,722	4,968,333	236,140	5,204,473
Increase (decrease) in reserve for:						
Prepaid expenditures	-	-	-	-	(3,230)	(3,230)
Inventories	-	-	-	-	22,990	22,990
E911 loan agreement	-	152,119	152,119	-	-	-
Ending fund balances	\$ 1,189,684	49,770	1,239,454	5,624,631	238,335	5,862,966

	Fiduciary Fund Type					
	Expendable Trust			Total		
	Cash Basis	Accrual Adjust-ments	Modified Accrual Basis	Cash Basis	Accrual Adjust-ments	Modified Accrual Basis
Revenues	\$ -	-	-	11,664,133	(73,347)	11,590,786
Expenditures	-	-	-	11,074,604	(16,959)	11,057,645
Net	-	-	-	589,529	(56,388)	533,141
Other financing sources (uses)	-	-	-	6,205	-	6,205
Beginning fund balances	3,346	-	3,346	6,221,927	172,614	6,394,541
Increase (decrease) in reserve for:						
Prepaid expenditures	-	-	-	-	(3,230)	(3,230)
Inventories	-	-	-	-	22,990	22,990
E911 loan agreement	-	-	-	-	152,119	152,119
Ending fund balances	\$ 3,346	-	3,346	6,817,661	288,105	7,105,766

G. Total (Memorandum Only)

The total column on the combined balance sheet and the combined statement of revenues, expenditures and changes in fund balances is captioned "Memorandum Only" to indicate it is presented only to facilitate financial analysis. Data in these columns does not present financial position or results of operations in conformity with U.S. generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

(2) Cash and Pooled Investments

The County's deposits in banks at June 30, 2003 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The County is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Supervisors; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The County has no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 3.

(3) Property and Equipment

A summary of changes in property and equipment comprising general fixed assets for the year ended June 30, 2003 is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
Land	\$ 765,103	47,625	-	812,728
Buildings	2,074,042	102,009	-	2,176,051
Equipment	6,656,235	530,292	335,505	6,851,022
Total	<u>\$ 9,495,380</u>	<u>679,926</u>	<u>335,505</u>	<u>9,839,801</u>

Equipment includes \$7,129 of assets acquired under capital leases.

(4) Pension and Retirement Benefits

The County contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117

Plan members are required to contribute 3.70% of their annual covered salary and the County is required to contribute 5.75% of annual covered payroll except for law enforcement employees, in which case the percentages are 5.37% and 8.05%, respectively. Contribution requirements are established by state statute. The County's contributions to IPERS for the years ended June 30, 2003, 2002, and 2001 were \$194,802, \$191,786 and \$200,506, respectively, equal to the required contributions for each year.

(5) Prepaid Rental Agreement

In November, 1999, the County entered into a 28E agreement with the Iowa Department of Transportation for the cooperative construction of transportation maintenance facilities for the purpose of storing and maintaining transportation related equipment, materials and supplies. The property is owned by the Iowa Department of Transportation. The agreement was for twenty-five years and will be renewable for an additional twenty-five years. The County is responsible for a portion of the operational costs and future improvements.

The County has elected to amortize prepaid expenditures of \$80,743 over 25 years. At June 30, 2003, the unamortized prepaid expenditure balance was \$67,824.

(6) Changes in Long-Term Debt

A summary of changes in long-term debt for the year ended June 30, 2003 is as follows:

	Capital Lease Purchase Agreement	Compensated Absences	Total
Balance beginning of year	\$ 7,129	110,426	117,555
Additions	-	15,651	15,651
Reductions	2,159	-	2,159
Balance end of year	<u>\$ 4,970</u>	<u>126,077</u>	<u>131,047</u>

Capital Lease Purchase Agreement

The County has entered into an agreement to lease a mower under a non-cancelable capital lease. The following is a schedule of the future minimum lease payments, including interest at 9.75% per annum, and the present value of net minimum lease payments under the agreement in effect at June 30, 2003:

Year Ending June 30,	Amount
2004	\$ 2,854
2005	<u>2,854</u>
Total minimum lease payments	5,708
Less amount representing interest	<u>(738)</u>
Present value of net minimum lease payments	<u>\$ 4,970</u>

Payments under this capital lease agreement for the year ended June 30, 2003 totaled \$2,854.

(7) Due from and Due to Other Funds

The detail of interfund receivables and payables at June 30, 2003 is as follows:

Receivable Fund	Payable Fund	Amount
General	Special Revenue:	
	Secondary Roads	\$ 803
	Mental Health	467
	Senior Dining	<u>744</u>
		<u>2,014</u>
	Trust and Agency:	
	County Auditor	25
	County Recorder	684
	County Sheriff	1100
	County Treasurer	75
	Sanitation	50
	Jones Elderly Transportation System	25
	County Conservation	50
	County Attorney	25
	County Engineer	200
	County Relief	50
	County Land Use	100
	Auto License and Use Tax	<u>13,360</u>
		<u>15,744</u>
		<u>17,758</u>
Special Revenue:		
Secondary Roads	General	2,843
Jail Commissary	Trust and Agency:	
	County Sheriff	<u>164</u>
		<u>3,007</u>
Total		<u>\$ 20,765</u>

(8) Due to Other Governments

The County purchases services from other governmental units and also acts as a fee and tax collection agent for various governmental units. The Agency Fund collections also include accruals of property tax for the succeeding year. The tax collections are remitted to those governments in the month following collection. A summary of amounts due to other governments is as follows:

Fund	Description	Amount
General	Services	<u>\$ 12,236</u>
Special Revenue:		
Secondary Roads	Services	15,705
Mental Health	Services	96,370
Senior Dining	Services	<u>902</u>
		<u>112,977</u>

Fund	Description	Amount
Trust and Agency:		
County Assessor	Collections	500,902
Schools		9,493,296
Community Colleges		455,736
Corporations		3,220,759
Townships		192,466
Auto License and Use Tax		319,769
E911 Surcharge		85,434
All other		<u>168,824</u>
		<u>14,437,186</u>
Total		<u>\$ 14,562,399</u>

(9) Employee Group Health Insurance Plan

The Jones County Employee Group Health Fund was established on May 1, 2001 to account for the partial self funding of the County's health insurance benefit plan. The plan is funded by County and employee contributions and is administered through a service agreement with Employee Group Services, LTD. The agreement is subject to automatic renewal provisions. The County assumes liability for claims up to the individual stop loss limitation of \$30,000. Claims in excess of coverage are insured through purchase of stop loss insurance.

Monthly payments of service fees and plan contributions to the Jones County Employee Group Health Fund are recorded as expenditures from the operating funds. Under the administrative services agreement, monthly payments of service fees and claims processed are paid to Employee Group Services, LTD from the Jones County Employee Group Health Fund. The County records the plan assets and related liabilities of the Jones County Employee Group Health Fund as an Internal Service Fund. County contributions to the fund for the year ended June 30, 2003 totaled \$910,792.

Amounts payable from the Employee Group Health Fund at June 30, 2003 total \$101,605, which is for incurred but not reported (IBNR) and reported but not paid claims. The amounts are based on estimates of the amounts necessary to pay current year claims and to establish a reserve for catastrophic losses. That reserve was \$273,460 at June 30, 2003 and is reported as a designation of the Employee Group Health Fund retained earnings. A liability has been established based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires a liability for claims be reported if information prior to the issuance of the financial statements indicates it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Settlements did not exceed the stop-loss coverage in the current fiscal year. A reconciliation of changes in the aggregate liabilities for claims for the current year is as follows:

Unpaid claims at July 1, 2002	\$ 20,424
Incurred claims (including claims incurred but not reported as of June 30, 2003)	616,034
Payments on claims during the year	<u>(534,853)</u>
Unpaid claims at June 30, 2003	<u>\$ 101,605</u>

(10) Risk Management

The County is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The County assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past four fiscal years.

(11) E911 Loan Agreement

On October 8, 2002, the E911 Service Board borrowed \$200,000 from the General Fund for a radio tower. The loan requires eleven quarterly payments to the County of \$17,711 and a final payment of \$17,541, due July 22, 2005, including principal and interest at 4% per annum. The following is a schedule of the loan payments to be received by the County:

Year Ending June 30	Total
2004	\$ 70,844
2005	70,844
2006	17,541
Total loan payments	159,229
Less amount representing interest	(7,110)
Oustanding principal balance	\$ 152,119

The assets and liabilities of the E911 Surcharge Agency Fund are reported on the modified accrual basis. Accordingly, the E911 radio tower and the loan agreement payable by the E911 Service Board to the County have not been reported in the E911 Surcharge Agency Fund.

(12) Prospective Accounting Change

The Governmental Accounting Standards Board has issued Statement No. 34, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments; Statement No. 37, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments: Omnibus; and Statement No. 38, Certain Financial Statement Note Disclosures. These statements will be implemented for the year ending June 30, 2004. The effects are expected to significantly impact the presentation of the County’s financial statements in the year of implementation. The revised requirements include using the economic resources measurement focus and full accrual accounting. Also, the revised minimum reporting requirements include Management’s Discussion and Analysis to introduce the financial statements and to provide an analytical overview of the County’s financial activities.

Supplemental Information

Schedule 1

Jones County

General Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

Year ended June 30, 2003

Revenues:		
Property and other County tax:		
Property tax	\$ 2,346,510	
Utility tax replacement excise tax	94,401	
Other	<u>8,333</u>	\$ 2,449,244
Interest and penalty on property tax		41,833
Intergovernmental:		
State shared revenues:		
Franchise tax	23,025	
Sunday liquor permits	<u>3,933</u>	
	<u>26,958</u>	
State tax replacements:		
State tax credits	188,704	
State allocation	<u>56,676</u>	
	<u>245,380</u>	
State and federal pass-thru revenues:		
Juvenile justice	1,799	
Human services administrative reimbursements	55,487	
Homemaker health grants	51,312	
Public health nursing and homemaker grants	18,674	
Well testing and closure grant	10,256	
Bike trail	46,312	
Federal emergency management grant	11,769	
Transit operating assistance grant	100,673	
Other	<u>29,071</u>	
	<u>325,353</u>	
Contributions from other governmental units:		
Contract law enforcement	103,011	
Election reimbursements	5,440	
Prisoner care	117,755	
Court fees	11,440	
Other	<u>34,540</u>	
	<u>272,186</u>	
Federal grants and entitlements:		
Emergency food and shelter	<u>1,989</u>	871,866
Licenses and permits		27,476
Charges for service:		
Office fees and collections	198,583	
Auto license, use tax and postage	131,251	
Recreation fees	37,045	
Other	<u>102,757</u>	469,636

Jones County

General Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

Year ended June 30, 2003

Revenues (continued):

Use of money and property:

Interest on investments	144,784	
Land, building and equipment rent	23,450	
E911 loan repayment:		
Principal	47,881	
Interest	5,252	
Other	<u>3,849</u>	225,216

Miscellaneous:

Contributions and donations	13,519	
Sale of commodities	1,226	
Miscellaneous	<u>30,812</u>	45,557
Total revenues		<u>4,130,828</u>

Expenditures:

Operating:

Public safety and legal services	1,583,169
Physical health and social services	477,612
County environment and education	385,902
Roads and transportation	232,205
Governmental services to residents	338,319
Administration	958,153
Non-program	<u>224,953</u>
Total expenditures	<u>4,200,313</u>

Deficiency of revenues under expenditures	<u>(69,485)</u>
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Other financing sources (uses):

Sale of general fixed assets	5,098
Operating transfer out:	
Special Revenue:	
Secondary Roads	<u>(35,000)</u>
Total other financing sources (uses)	<u>(29,902)</u>

Deficiency of revenues and other financing sources under expenditures and other financing uses	(99,387)
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Fund balance beginning of year	1,186,722
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Increase in reserve for E911 loan agreement	<u>152,119</u>
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Fund balance end of year	<u>\$ 1,239,454</u>
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See accompanying independent auditor's report.

Schedule 2

Jones County

General Fund

Statement of Expenditures

Year ended June 30, 2003

Public safety and legal services:

Law enforcement:

Uniformed patrol services	\$ 473,071
Investigations	94,039
Contract law enforcement	60,522
Law enforcement communication	249,619
Adult correction services	323,486
Administration	146,887
	<u>1,347,624</u>

Legal services:

Criminal prosecution	179,310
Medical examinations	16,300
Child support recovery	1,520
	<u>197,130</u>

Emergency services:

Ambulance services	5,000
Emergency management	11,916
	<u>16,916</u>

Assistance to district court system:

Research and other assistance	<u>6,961</u>
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Court proceedings:

Service of civil papers	<u>5,666</u>
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Juvenile justice administration:

Juvenile representation services	1,894
Court-appointed attorneys and court costs for juveniles	6,978
	<u>8,872</u>

\$ 1,583,169

Physical health and social services:

Physical health services:

Personal and family health services	46,584
Sanitation	87,367
	<u>133,951</u>

Services to the poor:

Administration	53,605
General welfare services	10,717
	<u>64,322</u>

Services to military veterans:

Administration	5,632
General services to veterans	5,225
	<u>10,857</u>

Jones County

General Fund

Statement of Expenditures

Year ended June 30, 2003

Physical health and social services (continued):

Children and family services:

Youth guidance	109,799	
Family protective services	24,700	
	<u>134,499</u>	

Services to other adults:

Services to the elderly	<u>101,389</u>	
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Chemical dependency:

Treatment services	<u>32,594</u>	477,612
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County environment and education:

Conservation and recreation services:

Administration	100,833	
Maintenance and operations	96,519	
Recreation and environmental education services	85,418	
	<u>282,770</u>	

Animal control:

Animal shelter	1,971	
Animal bounties and state apiarist expenses	67	
	<u>2,038</u>	

County development:

Land use and building controls	37,819	
Economic development	24,611	
	<u>62,430</u>	

Educational services:

Historical preservation	10,200	
Fairgrounds	23,661	
Memorial halls	4,803	
	<u>38,664</u>	385,902

Roads and transportation:

Mass transit:

Ground transportation		232,205
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Governmental services to residents:

Representation services:

Elections administration	74,234	
Local elections	5,275	
Township officials	3,499	
	<u>83,008</u>	

Schedule 2

Jones County

General Fund

Statement of Expenditures

Year ended June 30, 2003

Governmental services to residents (continued):

State administrative services:

Motor vehicle registrations and licensing	131,795	
Recording of public documents	123,516	
	<u>255,311</u>	338,319

Administration:

Policy and administration:

General County management	198,722	
Administration management services	160,082	
Treasury management services	116,412	
Other policy and administration	47,034	
	<u>522,250</u>	

Central services:

General services	235,466	
Data processing services	14,624	
	<u>250,090</u>	

Risk management services:

Tort liability	76,066	
Safety of workplace	99,823	
Fidelity of public officials	3,666	
Unemployment compensation	6,258	
	<u>185,813</u>	958,153

Non-program:

E911 loan	200,000	
Other non-program current expenditures	24,953	224,953
	<u>224,953</u>	
Total		<u>\$ 4,200,313</u>

See accompanying independent auditor's report.

Jones County

Jones County
Special Revenue Funds
Combining Balance Sheet
June 30, 2003

	Rural Services	Secondary Roads	Mental Health
Assets			
Cash and pooled investments:			
County Treasurer	\$ 243,903	4,788,294	539,521
Community Care Incorporated	-	-	5,892
Receivables:			
Property tax:			
Delinquent	2,140	-	2,280
Succeeding year	910,000	-	825,000
Accounts	-	401	7,188
Due from other funds	-	2,843	-
Due from other governments	32,249	357,839	21,210
Prepaid expenditures	-	67,824	-
Inventories	-	293,888	-
Total assets	\$ 1,188,292	5,511,089	1,401,091
Liabilities and Fund Equity			
Liabilities:			
Accounts payable	\$ -	197,145	95,428
Salaries and benefits payable	-	57,119	8,089
Due to other funds	-	803	467
Due to other governments	-	15,705	96,370
Deferred revenue:			
Succeeding year property tax	910,000	-	825,000
Other	2,100	61,226	2,243
Compensated absences	-	20,326	1,558
Total liabilities	912,100	352,324	1,029,155
Fund equity:			
Fund balances:			
Reserved for:			
Prepaid expenditures	-	67,824	-
Inventories	-	293,888	-
Unreserved:			
Designated for roads and bridges	-	1,138,325	-
Designated for capital improvements	-	-	5,892
Undesignated	276,192	3,658,728	366,044
Total fund equity	276,192	5,158,765	371,936
Total liabilities and fund equity	\$ 1,188,292	5,511,089	1,401,091

See accompanying independent auditor's report.

Senior Dining	County Recorder's Records Management	Jail Commissary	Special Law Enforcement Proceeds	Resource Enhancement and Protection	Total
27,665	12,398	2,559	253	10,038	5,624,631
-	-	-	-	-	5,892
-	-	-	-	-	4,420
-	-	-	-	-	1,735,000
18,969	-	-	-	-	26,558
-	-	164	-	-	3,007
19,281	-	-	-	311	430,890
-	-	-	-	-	67,824
-	-	-	-	-	293,888
65,915	12,398	2,723	253	10,349	8,192,110
28,135	-	70	-	71	320,849
4,589	-	-	-	-	69,797
744	-	-	-	-	2,014
902	-	-	-	-	112,977
-	-	-	-	-	1,735,000
-	-	-	-	-	65,569
1,054	-	-	-	-	22,938
35,424	-	70	-	71	2,329,144
-	-	-	-	-	67,824
-	-	-	-	-	293,888
-	-	-	-	-	1,138,325
-	-	-	-	-	5,892
30,491	12,398	2,653	253	10,278	4,357,037
30,491	12,398	2,653	253	10,278	5,862,966
65,915	12,398	2,723	253	10,349	8,192,110

Jones County

Special Revenue Funds

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Year ended June 30, 2003

	<u>Rural Services</u>	<u>Secondary Roads</u>
Revenues:		
Property and other County tax:		
Property tax	\$ 925,351	-
Local option sales tax	150,851	452,554
Utility tax replacement excise tax	29,776	-
Other	1,388	-
	<u>1,107,366</u>	<u>452,554</u>
Intergovernmental:		
State shared revenues:		
Road use tax	-	2,914,777
State tax replacements:		
State tax credits	62,555	-
State allocation	-	77,405
Mental health property tax relief	-	-
Mental health allowable growth	-	-
	<u>62,555</u>	<u>77,405</u>
State and federal pass-thru revenues:		
Social services block grant	-	-
Federal emergency management assistance grant	-	385,716
Mental health/mental retardation allocation	-	-
Resource enhancement and protection grant	-	-
Other	-	-
	<u>-</u>	<u>385,716</u>
Contributions from other governmental units:		
Transfer of road jurisdiction funding	-	154,000
Other	-	65,873
	<u>-</u>	<u>219,873</u>
Federal grants and entitlements:		
Medicaid case management	-	-
	<u>62,555</u>	<u>3,597,771</u>

Mental Health	Senior Dining	County Recorder's Records Management	Jail Commissary	Special Law Enforcement Proceeds	Resource Enhancement and Protection	Total
793,085	-	-	-	-	-	1,718,436
-	-	-	-	-	-	603,405
31,906	-	-	-	-	-	61,682
2,733	-	-	-	-	-	4,121
827,724	-	-	-	-	-	2,387,644
-	-	-	-	-	-	2,914,777
63,779	-	-	-	-	-	126,334
-	-	-	-	-	-	77,405
599,969	-	-	-	-	-	599,969
67,821	-	-	-	-	-	67,821
731,569	-	-	-	-	-	871,529
82,438	-	-	-	-	-	82,438
-	-	-	-	-	-	385,716
87,882	-	-	-	-	-	87,882
-	-	-	-	-	551	551
12,580	65,770	-	-	-	-	78,350
182,900	65,770	-	-	-	551	634,937
-	-	-	-	-	-	154,000
-	9,272	-	-	-	-	75,145
-	9,272	-	-	-	-	229,145
211,860	-	-	-	-	-	211,860
1,126,329	75,042	-	-	-	551	4,862,248

Jones County

Special Revenue Funds

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Year Ended June 30, 2003

	<u>Rural Services</u>	<u>Secondary Roads</u>
Revenues (continued):		
Licenses and permits	-	12,723
Charges for service:		
Other	-	128
Use of money and property:		
Interest on investments	-	-
Other	1	-
	<u>1</u>	<u>-</u>
Miscellaneous:		
Sale of materials	-	11,593
Reimbursements from private sources	-	-
Other	-	17,364
	<u>-</u>	<u>28,957</u>
Total revenues	<u>1,169,922</u>	<u>4,092,133</u>
Expenditures:		
Operating:		
Public safety and legal services:		
Law enforcement:		
Adult correctional services	-	-
Physical health and social services:		
Services to other adults:		
Services to the elderly	-	-
Mental health:		
Persons with mental health problems-mental illness:		
Information and education services	-	-
General administration	-	-
Treatment services	-	-
Institutional, hospital and commitment services	-	-
	<u>-</u>	<u>-</u>

Mental Health	Senior Dining	County Recorder's Records Management	Jail Commissary	Special Law Enforcement Proceeds	Resource Enhancement and Protection	Total
-	-	-	-	-	-	12,723
13,077	-	5,470	-	-	-	18,675
-	-	111	-	2	150	263
5,400	-	-	2,895	-	-	8,296
5,400	-	111	2,895	2	150	8,559
-	-	-	-	-	-	11,593
-	132,924	-	-	-	-	132,924
8,228	-	-	-	-	-	25,592
8,228	132,924	-	-	-	-	170,109
1,980,758	207,966	5,581	2,895	2	701	7,459,958
-	-	-	4,224	-	-	4,224
-	177,475	-	-	-	-	177,475
17,691	-	-	-	-	-	17,691
14,836	-	-	-	-	-	14,836
42,666	-	-	-	-	-	42,666
46,666	-	-	-	-	-	46,666
121,859	-	-	-	-	-	121,859

Jones County
Special Revenue Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Year ended June 30, 2003

	Rural Services	Secondary Roads
Expenditures (continued):		
Operating:		
Mental health:		
Persons with chronic mental illness:		
General administration	-	-
Coordination services	-	-
Personal and environmental support	-	-
Treatment services	-	-
Vocational and day services	-	-
Licensed or certified living arrangements	-	-
Institutional, hospital and commitment services	-	-
	-	-
Persons with mental retardation:		
General administration	-	-
Coordination services	-	-
Personal and environmental support	-	-
Treatment services	-	-
Vocational and day services	-	-
Licensed or certified living arrangements	-	-
Institutional, hospital and commitment services	-	-
	-	-
Persons with other developmental disabilities:		
General administration	-	-
Coordination services	-	-
Vocational and day services	-	-
Licensed or certified living arrangements	-	-
	-	-
	-	-

Mental Health	Senior Dining	County Recorder's Records Management	Jail Commissary	Special Law Enforcement Proceeds	Resource Enhancement and Protection	Total
13,352	-	-	-	-	-	13,352
78,763	-	-	-	-	-	78,763
61,220	-	-	-	-	-	61,220
29,737	-	-	-	-	-	29,737
24,823	-	-	-	-	-	24,823
215,589	-	-	-	-	-	215,589
19,537	-	-	-	-	-	19,537
443,021	-	-	-	-	-	443,021
28,485	-	-	-	-	-	28,485
125,562	-	-	-	-	-	125,562
50,087	-	-	-	-	-	50,087
60	-	-	-	-	-	60
317,287	-	-	-	-	-	317,287
834,880	-	-	-	-	-	834,880
203,583	-	-	-	-	-	203,583
1,559,944	-	-	-	-	-	1,559,944
2,670	-	-	-	-	-	2,670
4,222	-	-	-	-	-	4,222
13,079	-	-	-	-	-	13,079
12,343	-	-	-	-	-	12,343
32,314	-	-	-	-	-	32,314
2,157,138	-	-	-	-	-	2,157,138

Jones County
Special Revenue Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Year ended June 30, 2003

	Rural Services	Secondary Roads
Expenditures (continued):		
Operating:		
County environment and education:		
Environmental quality:		
Natural resource conservation	2,000	-
Solid waste disposal	22,743	-
	<u>24,743</u>	<u>-</u>
County development:		
Economic development	16,274	-
	<u>16,274</u>	<u>-</u>
Educational services:		
Libraries	93,564	-
	<u>93,564</u>	<u>-</u>
Conservation and recreation services:		
Administration	-	-
Maintenance and operations	-	-
Recreation and environment education	-	-
	<u>-</u>	<u>-</u>
	<u>134,581</u>	<u>-</u>
Roads and transportation:		
Secondary roads administration and engineering:		
Administration	-	261,076
Engineering	-	310,023
	<u>-</u>	<u>571,099</u>
Roadway maintenance:		
Bridges and culverts	-	148,079
Roads	-	1,549,766
Snow and ice control	-	138,065
Traffic controls	-	105,771
Road clearing	-	184,292
	<u>-</u>	<u>2,125,973</u>

Mental Health	Senior Dining	County Recorder's Records Management	Jail Commissary	Special Law Enforcement Proceeds	Resource Enhancement and Protection	Total
-	-	-	-	-	-	2,000
-	-	-	-	-	-	22,743
-	-	-	-	-	-	24,743
-	-	-	-	-	-	16,274
-	-	-	-	-	-	93,564
-	-	-	-	-	1,489	1,489
-	-	-	-	-	527	527
-	-	-	-	-	1,511	1,511
-	-	-	-	-	3,527	3,527
-	-	-	-	-	3,527	138,108
-	-	-	-	-	-	261,076
-	-	-	-	-	-	310,023
-	-	-	-	-	-	571,099
-	-	-	-	-	-	148,079
-	-	-	-	-	-	1,549,766
-	-	-	-	-	-	138,065
-	-	-	-	-	-	105,771
-	-	-	-	-	-	184,292
-	-	-	-	-	-	2,125,973

Jones County

Special Revenue Funds

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Year ended June 30, 2003

	Rural Services	Secondary Roads
Expenditures (continued):		
Operating:		
Roads and transportation:		
General roadway:		
Equipment	-	309,672
Equipment operations	-	641,844
Tools, materials, and supplies	-	307,409
Real estate and buildings	-	14,657
	-	1,273,582
	-	3,970,654
Governmental services to residents:		
State administrative services:		
Recording of public documents	-	-
Capital projects:		
Roadway construction	-	408,995
Total expenditures	134,581	4,379,649
Excess (deficiency) of revenues over (under) expenditures	1,035,341	(287,516)
Other financing sources (uses):		
Sale of general fixed assets	-	406
Operating transfers in (out):		
General	-	35,000
Special Revenue:		
Rural Services	-	962,500
Secondary Roads	(962,500)	-
Total other financing sources (uses)	(962,500)	997,906
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	72,841	710,390
Fund balances beginning of year	203,351	4,428,615
Increase (decrease) in reserve for:		
Prepaid expenditures	-	(3,230)
Inventories	-	22,990
Fund balances end of year	\$ 276,192	5,158,765

See accompanying independent auditor's report.

Mental Health	Senior Dining	County Recorder's Records Management	Jail Commissary	Special Law Enforcement Proceeds	Resource Enhancement and Protection	Total
-	-	-	-	-	-	309,672
-	-	-	-	-	-	641,844
-	-	-	-	-	-	307,409
-	-	-	-	-	-	14,657
-	-	-	-	-	-	1,273,582
-	-	-	-	-	-	3,970,654
-	-	738	-	-	-	738
-	-	-	-	-	-	408,995
2,157,138	177,475	738	4,224	-	3,527	6,857,332
(176,380)	30,491	4,843	(1,329)	2	(2,826)	602,626
701	-	-	-	-	-	1,107
-	-	-	-	-	-	35,000
-	-	-	-	-	-	962,500
-	-	-	-	-	-	(962,500)
701	-	-	-	-	-	36,107
(175,679)	30,491	4,843	(1,329)	2	(2,826)	638,733
547,615	-	7,555	3,982	251	13,104	5,204,473
-	-	-	-	-	-	(3,230)
-	-	-	-	-	-	22,990
371,936	30,491	12,398	2,653	253	10,278	5,862,966

Jones County
Trust and Agency Funds
Combining Balance Sheet
June 30, 2003

	Expendable Trust	County Offices				
	Conservation Land Acquisition	County Auditor	County Recorder	County Sheriff	County Treasurer	Sanitarian
Assets						
Cash and pooled investments:						
County Treasurer	\$ 3,346	-	-	-	-	-
Other County officials	-	25	246	1,600	75	50
Receivables:						
Property tax:						
Delinquent	-	-	-	-	-	-
Succeeding year	-	-	-	-	-	-
Accounts	-	-	459	-	-	-
Special assessments	-	-	-	-	-	-
Due from other governments	-	-	-	-	-	-
Total assets	\$ 3,346	25	705	1,600	75	50
Liabilities and Fund Equity						
Liabilities:						
Accounts payable	\$ -	-	-	-	-	-
Salaries and benefits payable	-	-	-	-	-	-
Due to other funds	-	25	684	1,264	75	50
Due to other governments	-	-	21	-	-	-
Trusts payable	-	-	-	336	-	-
Compensated absences	-	-	-	-	-	-
Total liabilities	-	25	705	1,600	75	50
Fund equity:						
Unreserved fund balance	3,346	-	-	-	-	-
Total liabilities and fund equity	\$ 3,346	25	705	1,600	75	50

Agency Funds

Jones Elderly Transportation System	County Conservation	County Attorney	County Engineer	County Relief	County Land Use	Agricultural Extension Education	County Assessor	Schools
-	-	-	-	-	-	1,228	245,133	155,067
25	50	25	200	50	100	-	-	-
-	-	-	-	-	-	284	729	26,229
-	-	-	-	-	-	103,000	264,000	9,312,000
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
25	50	25	200	50	100	104,512	509,862	9,493,296
-	-	-	-	-	-	-	702	-
-	-	-	-	-	-	-	6,622	-
25	50	25	200	50	100	-	-	-
-	-	-	-	-	-	104,512	500,902	9,493,296
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	1,636	-
25	50	25	200	50	100	104,512	509,862	9,493,296
-	-	-	-	-	-	-	-	-
25	50	25	200	50	100	104,512	509,862	9,493,296

Jones County
Trust and Agency Funds
Combining Balance Sheet
June 30, 2003

	Community Colleges	Corporations	Townships	Auto License and Use Tax	Brucellosis and Tuberculosis Eradication
Assets					
Cash and pooled investments:					
County Treasurer	7,493	35,664	2,990	333,129	45
Other County officials	-	-	-	-	-
Receivables:					
Property tax:					
Delinquent	1,243	6,095	476	-	8
Succeeding year	447,000	3,179,000	189,000	-	3,000
Accounts	-	-	-	-	-
Special assessments	-	-	-	-	-
Due from other governments	-	-	-	-	-
Total assets	455,736	3,220,759	192,466	333,129	3,053
Liabilities and Fund Equity					
Liabilities:					
Accounts payable	-	-	-	-	-
Salaries and benefits payable	-	-	-	-	-
Due to other funds	-	-	-	13,360	-
Due to other governments	455,736	3,220,759	192,466	319,769	3,053
Trusts payable	-	-	-	-	-
Compensated absences	-	-	-	-	-
Total liabilities	455,736	3,220,759	192,466	333,129	3,053
Fund equity:					
Unreserved fund balance	-	-	-	-	-
Total liabilities and fund equity	455,736	3,220,759	192,466	333,129	3,053

See accompanying independent auditor's report.

Agency Funds						
Olin Benefited Fire District	E911 Surcharge	Emergency Management Services	City Special Assess- ments	Anatomical Gift Public Awareness and Transportation	Empowerment	Total
280	107,772	3,937	556	32	6,793	903,465
-	-	-	-	-	-	2,446
2	-	-	-	-	-	35,066
14,000	-	-	-	-	-	13,511,000
-	25,445	-	-	-	-	25,904
-	-	-	34,052	-	-	34,052
-	-	2,558	-	-	356	2,914
14,282	133,217	6,495	34,608	32	7,149	14,514,847
-	47,750	1,295	-	-	-	49,747
-	-	-	-	-	-	6,622
-	-	-	-	-	-	15,908
14,282	85,434	5,167	34,608	32	7,149	14,437,186
-	-	-	-	-	-	336
-	33	33	-	-	-	1,702
14,282	133,217	6,495	34,608	32	7,149	14,511,501
-	-	-	-	-	-	3,346
14,282	133,217	6,495	34,608	32	7,149	14,514,847

Jones County

Agency Funds

Combining Statement of Changes in Assets and Liabilities

Year ended June 30, 2003

	County Offices			
	County Auditor	County Recorder	County Sheriff	County Treasurer
Assets and Liabilities				
Balance beginning of year	\$ 25	881	177,766	103
Additions:				
Property and other County tax	-	-	-	-
E911 surcharge	-	-	-	-
State tax credits	-	-	-	-
Office fees and collections	-	278,785	48,749	-
Auto licenses, use tax and postage	-	-	-	-
Assessments	-	-	-	-
Trusts	-	-	122,191	-
Miscellaneous	-	-	-	-
Total additions	-	278,785	170,940	-
Deductions:				
Agency Remittances:				
To other funds	-	146,323	48,356	28
To other governments	-	130,987	394	-
Trusts paid out	-	1,651	298,356	-
Total deductions	-	278,961	347,106	28
Balance end of year	\$ 25	705	1,600	75

Sanitarian	Jones Elderly Transportation System	County Conservation	County Attorney	County Engineer	County Relief	County Land Use	Agricultural Extension Education	County Assessor	Schools
50	25	50	25	200	50	-	71,288	461,580	9,203,382
-	-	-	-	-	-	-	103,473	263,274	9,313,276
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	5,417	23,814	691,830
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	100	-	3,820	-
-	-	-	-	-	-	100	108,890	290,908	10,005,106
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	75,666	242,626	9,715,192
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	75,666	242,626	9,715,192
50	25	50	25	200	50	100	104,512	509,862	9,493,296

Jones County

Agency Funds

Combining Statement of Changes in Assets and Liabilities

Year ended June 30, 2003

	Community Colleges	Corpora- tions	Townships	Auto License and Use Tax	Brucellosis and Tuberculosis Eradication
Assets and Liabilities					
Balance beginning of year	435,942	3,084,198	170,000	258,720	3,056
Additions:					
Property and other County tax	446,803	3,215,288	188,028	-	2,594
E911 surcharge	-	-	-	-	-
State tax credits	33,040	265,578	10,750	-	200
Office fees and collections	-	-	-	-	-
Auto licenses, use tax and postage	-	-	-	3,925,561	-
Assessments	-	-	-	-	-
Trusts	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total additions	479,843	3,480,866	198,778	3,925,561	2,794
Deductions:					
Agency Remittances:					
To other funds	-	-	-	123,336	-
To other governments	460,049	3,344,305	176,312	3,727,816	2,797
Trusts paid out	-	-	-	-	-
Total deductions	460,049	3,344,305	176,312	3,851,152	2,797
Balance end of year	455,736	3,220,759	192,466	333,129	3,053

See accompanying independent auditor's report.

Olin Benefited Fire District	E911 Surcharge	Emergency Management Services	Senior Dining	City Special Assess- ments	Anatomical Gift Public Awareness and Transportation	Empowerment	Total
13,197	184,440	7,189	42,443	47,000	26	10,206	14,171,842
14,112	-	-	-	-	-	-	13,546,848
-	108,097	-	-	-	-	-	108,097
898	-	-	-	-	-	-	1,031,527
-	-	-	-	-	-	-	327,534
-	-	-	-	-	198	-	3,925,759
-	-	-	-	5,654	-	-	5,654
-	-	-	-	-	-	-	122,191
-	206,227	20,474	76,268	-	-	11,301	318,190
15,010	314,324	20,474	76,268	5,654	198	11,301	19,385,800
-	-	-	-	-	-	-	318,043
13,925	365,547	21,168	118,711	18,046	192	14,358	18,428,091
-	-	-	-	-	-	-	300,007
13,925	365,547	21,168	118,711	18,046	192	14,358	19,046,141
14,282	133,217	6,495	-	34,608	32	7,149	14,511,501

Schedule 7

Jones County

Comparison of Taxes and Intergovernmental Revenues

	Years ended June 30,			
	2003	2002	2001	2000
Taxes:				
Property tax	\$ 4,064,946	3,841,214	\$ 3,653,523	3,559,174
Local option sales tax	603,405	526,171	572,876	290,764
Utility tax replacement excise tax	156,083	154,753	149,411	-
Other	12,454	12,699	12,276	10,903
	<u>4,836,888</u>	<u>4,534,837</u>	<u>4,388,086</u>	<u>3,860,841</u>
Intergovernmental:				
State shared revenues:				
Road use tax	2,914,777	2,959,367	2,837,924	2,879,197
Franchise tax	23,025	26,451	29,783	24,925
Other	3,933	4,775	4,158	11,629
State tax replacements:				
State tax credits	315,038	312,320	321,174	304,372
State allocation	134,081	141,273	145,680	146,099
Mental health property tax relief	599,969	599,970	599,969	599,969
Mental health allowable growth	67,821	187,131	183,045	100,182
State and federal pass-thru revenues:				
Human services administrative reimbursements	55,487	44,998	39,681	30,589
Public health nursing and homemaker grants	69,986	75,297	73,509	80,695
Social services block grant	82,438	86,378	88,256	89,051
Transit operating assistance	100,673	-	-	-
Federal emergency management assistance	397,485	-	-	79,896
Mental health/mental retardation allocation	87,882	121,542	121,542	121,542
Resource enhancement and protection grant	551	7,733	11,615	11,504
Habitat stamp grant	-	75,000	-	-
Other	165,788	174,027	209,850	66,919
Contributions from other governmental units:				
Contract law enforcement	103,011	118,818	94,613	95,063
Election reimbursements	5,440	19,508	8,105	13,299
Prisoner care	117,755	138,930	119,885	91,485
Court fees	11,440	12,226	10,707	10,568
Other	263,685	131,852	134,506	58,133
Federal grants and entitlements:				
Medicaid case management	211,860	252,896	165,490	132,457
Watershed protection and flood prevention	-	-	-	48,611
Other	1,989	5,736	5,254	6,203
	<u>5,734,114</u>	<u>5,496,228</u>	<u>5,204,746</u>	<u>5,002,388</u>
Total	<u>\$ 10,571,002</u>	<u>10,031,065</u>	<u>9,592,832</u>	<u>8,863,229</u>

See accompanying independent auditor's report.

Jones County

Schedule of Expenditures of Federal Awards

Year ended June 30, 2003

Grantor/Program	CFDA Number	Agency or Pass-through Number	Program Expenditures
Indirect:			
U.S. Department of Agriculture:			
Iowa Department of Human Services:			
Human Services Administrative Reimbursements:			
State Administrative Matching Grants for			
Food Stamp Program	10.561		\$ 9,523
U.S. Department of Transportation:			
Iowa Department of Transportation:			
Recreational Trails Program	20.219	1999-NT-002	46,312
Iowa Department of Public Safety:			
Governor's Traffic Safety Bureau:			
Safety Incentive Grants for Use of Seatbelts	20.604	PAP 03-157, Task 81	3,450
Federal Emergency Management Agency:			
Iowa Department of Public Defense:			
United Way of America:			
Emergency Food and Shelter			
National Board Program	83.523		1,989
Emergency Management Division:			
State and Local All Hazards Emergency			
Operations Planning	83.562	EMK-2003-GR-2535	2,558
Public Assistance Grants	83.544	DR1420 ID: 105-01480-00	9,000
Public Assistance Grants	83.544	DR1420 ID: 105-99105-00	324,286
Public Assistance Grants	83.544	DR1420 ID: 105-99105-01	2,229
			335,515
U.S. Department of Health and Human Services:			
Iowa Department of Human Services:			
Human Services Administrative Reimbursements:			
Temporary Assistance to Needy Families	93.558		13,994
Refugee and Entrant Assistance - State			
Administered Programs	93.566		44
Child Care Mandatory and Matching Funds of			
the Child Care Development Fund	93.596		2,703
Foster Care - Title IV-E	93.658		4,787
Adoption Assistance	93.659		1,570
Medical Assistance Program	93.778		13,666
Social Services Block Grant	93.667		9,201
Social Services Block Grant	93.667		82,438
			91,639
Total			\$ 527,750

Basis of Presentation – The Schedule of Expenditures of Federal Awards includes the federal grant activity of Jones County and is presented on the modified accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the general purpose financial statements.

See accompanying independent auditor's report.

Jones County



**OFFICE OF AUDITOR OF STATE
STATE OF IOWA**

David A. Vaudt, CPA
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

Telephone (515) 281-5834 Facsimile (515) 242-6134

**Independent Auditor's Report on Compliance
and on Internal Control over Financial Reporting**

To the Officials of Jones County:

We have audited the general purpose financial statements of Jones County, Iowa, as of and for the year ended June 30, 2003, and have issued our report thereon dated December 5, 2003. We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Jones County's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance that are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2003 are based exclusively on knowledge obtained from procedures performed during our audit of the general purpose financial statements of the County. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes. Prior year statutory comments have been resolved.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Jones County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Jones County's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in Part II of the accompanying Schedule of Findings and Questioned Costs.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we do not believe the reportable condition described above is a material weaknesses. Prior year reportable conditions have been resolved except for item II-A-03.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Jones County and other parties to whom the County may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Jones County during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

DAVID A. VAUDT, CPA
Auditor of State

WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

December 5, 2003

**Independent Auditor's Report on Compliance with Requirements Applicable
to Each Major Program and Internal Control over Compliance**

Jones County



**OFFICE OF AUDITOR OF STATE
STATE OF IOWA**

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**Independent Auditor's Report on Compliance with Requirements
Applicable to Each Major Program and Internal Control over Compliance**

To the Officials of Jones County:

Compliance

We have audited the compliance of Jones County, Iowa, with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to its major federal program for the year ended June 30, 2003. Jones County's major federal program is identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of Jones County's management. Our responsibility is to express an opinion on Jones County's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Jones County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Jones County's compliance with those requirements.

In our opinion, Jones County complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2003.

Internal Control Over Compliance

The management of Jones County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Jones County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be a material weakness.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Jones County and other parties to whom Jones County may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

DAVID A. VAUDT, CPA
Auditor of State

WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

December 5, 2003

Jones County
Schedule of Findings and Questioned Costs
Year ended June 30, 2003

Part I: Summary of the Independent Auditor's Results:

- (a) An unqualified opinion was issued on the financial statements.
- (b) A reportable condition in internal control over financial reporting was disclosed by the audit of the financial statements, which was not considered to be a material weakness.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) No material weaknesses in internal control over the major program were noted.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed no audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) The major program was CFDA Number 83.544 – Public Assistance Grants.
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Jones County did not qualify as a low-risk auditee.

Jones County
Schedule of Findings and Questioned Costs
Year ended June 30, 2003

Part II: Findings Related to the General Purpose Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

REPORTABLE CONDITION:

II-A-03 Electronic Data Processing Systems – The following weaknesses in the County's computer based system were noted:

The County does not have written policies for changing passwords regularly, password privacy and confidentiality.

A time out and/or log off function is not utilized, nor does the County use a screen saver password.

Recommendation – The County should review its control activities and establish policies pertaining to its electronic data processing system.

Response – The County is working toward compiling written data processing policies that will address the recommendations received.

Conclusion – Response accepted.

Jones County
Schedule of Findings and Questioned Costs
Year ended June 30, 2003

Part III: Findings and Questioned Costs For Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

REPORTABLE CONDITIONS:

No material weaknesses in internal control over the major program were noted.

Jones County

Schedule of Findings and Questioned Costs

Year ended June 30, 2003

Part IV: Other Findings Related to Required Statutory Reporting:

IV-A-03 Official Depositories – A resolution naming official depositories has been adopted by the Board of Supervisors. The maximum deposit amounts stated in the resolution were not exceeded during the year ended June 30, 2003.

IV-B-03 Certified Budget – Disbursements during the year ended June 30, 2003 did not exceed the amounts budgeted.

IV-C-03 Questionable Expenditures – No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.

IV-D-03 Travel Expense – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.

IV-E-03 Business Transactions – The following business transactions between the County and County officials or employees were noted:

Name, Title and Business Connection	Transaction Description	Amount
Janine Sulzner, County Auditor, husband owns K. Sulzner Construction	Care facility rental house repair, per bid	\$ 771
Diane Hughes, County Engineer's Office, brother owns Hughes Garage	Car repair	781
Marcus Simcox, part time dog catcher	Built audio/visual tower and miscellaneous repair	481
Dan Miller, Jones Elderly Transportation System	Made wooden stools	60

In accordance with Chapter 331.342(10) of the Code of Iowa, the transactions do not appear to represent conflicts of interest since total transactions for each individual were less than \$1,500 during the fiscal year.

IV-F-03 Bond Coverage – Surety bond coverage of County officials and employees is in accordance with statutory provisions. The amount of all surety bond coverage should be periodically reviewed to ensure the coverage is adequate for current operations.

IV-G-03 Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.

IV-H-03 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and Chapter 12C of the Code of Iowa and the County's investment policy were noted.

Jones County

Schedule of Findings and Questioned Costs

Year ended June 30, 2003

IV-I-03 Resource Enhancement and Protection Certification – The County properly dedicated property tax revenue to conservation purposes as required by Chapter 455A.19(1)(b) of the Code of Iowa in order to receive the additional REAP funds allocated in accordance with subsections (b)(2) and (b)(3).

IV-J-03 County Extension Office – The County Extension Office is operated under the authority of Chapter 176A of the Code of Iowa and serves as an agency of the State of Iowa. This fund is administered by an extension council separate and distinct from County operations and, consequently, is not included in Exhibits A or B.

Disbursements during the year ended June 30, 2003 for the County Extension Office did not exceed the amount budgeted.

The Agency Fund has an ending balance of \$1,047 and should be combined with the operating fund.

Response – In regards to combining the Agency and Operating Accounts, we are currently developing the necessary skills and knowledge of the Quicken software and accounting program so that we can complete the process with confidence. Since we have finally improved our computer/accounting skills and minimized the recording discrepancy problems of previous years, it should allow us to move ahead on the combining process. We also plan to involve the Budget Support Technician for assistance if necessary.

Conclusion – Response accepted.

Jones County

Staff

This audit was performed by:

K. David Voy, CPA, Manager
Richard C. Brown, CGFM, Senior Auditor
Sheila M. Jensen, Staff Auditor
Heather L. Templeton, Assistant Auditor

Andrew E. Nielsen, CPA
Deputy Auditor of State